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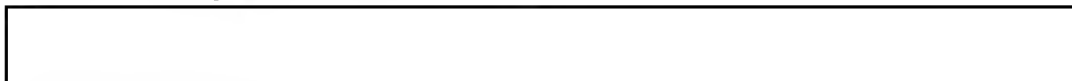
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CAMBODIA: Lon Nol has moved quickly to strengthen the government's hand against its critics.

On 28 July he announced the creation of a "Central Committee for Economic Warfare" and named the ambitious Son Ngoc Thanh as its chief. In giving Thanh the responsibility for putting the country's economic house in order, Lon Nol evidently hopes to trade effectively on Thanh's reputation for incorruptibility and his high standing with groups in the National Assembly who have been most critical of the government.

At the same time, Lon Nol has saddled a potential rival with one of the government's thorniest problems. This is the most important post Thanh has held; if the economy shows noticeable improvement under his aegis, Thanh may improve his over-all political position.

Lon Nol may be prepared to sacrifice Deputy Prime Minister Sok Chhong as a symbol of Lon Nol's desire to improve the economic situation. Sok Chhang, who has been in charge of economic affairs, was not assigned a special role within the new committee. He has indicated that he is considering resigning.

Lon Nol's move also raises fresh questions concerning his relationship with acting government head Sirik Matak. The latter was not present at the meeting in which Lon Nol announced the new changes and, while a change in the subordination of the military police was described as having been "concerted" with Sirik Matak, there was no reference to his role in the important economic shake-up. [REDACTED]

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INDIA: The state government of West Bengal is ordering foreign nationals serving in the East Pakistani refugee areas in the state to leave as soon as possible--preferably "within two days."

A letter to this effect has been sent to the British and West German relief organizations. The state official who signed the letter said that similar messages are going out to all foreign organizations working in the camp areas. The ban applies not only to foreigners who have come recently in response to the refugee situation, but to other foreigners, including missionaries, who were working in the area well before the outbreak of civil war in East Pakistan. It is unclear whether the ban will affect UN personnel working in the refugee areas.

Although foreign "administrative" personnel will be allowed to remain in Calcutta, they will need permission to visit the refugee camps, and travel permits may be difficult to obtain. On 28 July, for example, a US CARE official was denied permission to visit refugee centers in the strategically sensitive border area north of the Ganges River.

The central government assumed direct control of West Bengal last month, and the state government's action presumably was taken at New Delhi's direction. It appears to represent a further hardening of the government's position, and may presage an extension of the ban on foreigners in refugee areas to other border states. Taken in conjunction with India's refusal to permit UN personnel to be stationed along the border with East Pakistan, it reflects New Delhi's sensitivity to the presence of foreign observers in an area where sizable numbers of troops are stationed and where future military operations might be mounted.

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Should West Bengal actually ban foreign and UN personnel from the refugee areas the international community may become less hesitant than it has been about convening a Security Council meeting on the South Asian crisis. [REDACTED]

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AFGHANISTAN: The recently formed cabinet headed by Dr. Abdul Zahir was confirmed by an overwhelming majority in the lower house of parliament on 26 July.

The house had been debating a confidence motion since early July but there was little doubt that Zahir, the King's choice, would be confirmed as the next prime minister. Zahir's predecessor, Nur Ahmad Etemadi, resigned under parliamentary pressures in May.

An Afghan official indicated that the King does not expect the competent but unambitious Zahir to provide strong leadership. He anticipates, however, that the prime minister will serve as a figurehead while stronger men in the cabinet carry out the King's programs.

As Afghanistan embarks on the seventh year of its "experiment in democracy," a sense of pessimism and apathy pervades all levels of society. A general lack of public confidence is fostered by the previous administration's weak record. Parliament will recess from 13 August to 14 October, giving the new government a brief period to formulate programs to deal with the critical shortages of food and animal forage brought on by one of the worst droughts in many years. At present, there is little evidence of urban or rural unrest, but this could be generated quickly if food deficits are not filled before late fall.

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ISRAEL - OCCUPIED TERRITORIES: Israel has embarked on a new program designed to limit terrorism in Gaza.

Despite the Israelis' efforts to improve and tighten security in the Gaza refugee camps, they have been unable to reduce terrorist activity. Thus far in 1971, the terrorists, in attempting to prevent refugee cooperation with the Israeli authorities, have killed 91 persons, including seven Israelis, and wounded 400, 73 of them Israelis.

To provide better access to the interior of the sprawling, densely built camps, the Israelis in the past two years have cut wide, well-lighted security roads through some camps, replacing the houses thus destroyed with new dwellings on the outskirts. They have also reportedly begun a policy of thinning out the Palestinian population, moving some refugees to a workers' village in the center of the Gaza Strip and others to Al Arish, some 30 miles away from Gaza.

25X1 [redacted] refugees will also be moved to northern Sinai and the West Bank, although only on a voluntary basis. Press reports indicate that the terrorists are already inciting the local population to oppose the plan. [redacted]

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CHILE: The leader of the extremist Socialist Party (PS) has called for the dissolution of Congress.

PS Secretary General Carlos Altamirano said in a speech this week that recent elections show that opposition control of both legislative houses does not reflect accurately the division between Chileans who support or oppose the Allende administration. He claimed that a "political stalemate" between the government and the opposition existed. Altamirano proposed that President Allende be empowered to clear the way for creation of a unicameral "popular assembly" and that the law be changed to permit political parties to unite behind a single slate. Under Chile's proportional representational system, the latter move would benefit the governing Popular Unity (UP) coalition and increase the difficulties of the opposition parties in reconciling their differences.

The UP's inability to push past the 50-percent mark in municipal elections in April and in a legislative by-election this month may influence Allende to decide on new initiatives in order to strengthen UP political control before economic problems can erode the coalition's vote.

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NATO-MALTA: Britain's suggestion that an annual cash payment of \$15.6 million be made to Malta from the NATO military budget met with a cold reception in the North Atlantic Council on Wednesday. Only Italy supported this idea in principle. However, representatives of other countries mentioned the possibility of extending technical and economic aid to Malta through the European Communities or even on a bilateral basis. Prime Minister Mintoff is demanding both a cash payment ranging from \$42-\$72 million plus aid, in return for continuing the British presence on Malta. He would be unlikely to accept aid alone or a cash payment which fell far below his wishes. [REDACTED]

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YUGOSLAVIA: Belgrade is slashing funds available for imports in another effort to stem a rapidly growing trade imbalance. A sharp rise in imports during the first five months of this year caused the trade deficit to reach nearly \$700 million--twice that of the same period in 1970. Consumer goods will be particularly hard hit by the new restrictions which slash import permits by 50 percent. New controls on foreign travel by Yugoslavs also are designed to cut the outflow of foreign exchange. Despite recent tax concessions to stimulate exports they are not expected to rise until late in the year, and Yugoslavia probably will only be able to stem marginally the deterioration of its balance of payments. High-level concern with the economy has lately increased and was highlighted on 28 July by President Tito's insistence that next November's party conference add economic problems to its agenda. [REDACTED]

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COMMUNIST CHINA - CANADA: Wheat bound for China is being loaded in Vancouver at an accelerated rate which could complete delivery of this year's 2.7 million-ton Canadian sale by early September, three months ahead of schedule. More than 400,000 tons a month were loaded in May and June compared to 200,000 tons or less in previous months. The step-up may result from Chinese uncertainty over the summer crops. Preliminary Chinese reporting suggests the harvest is not particularly good.



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YEMEN (ADEN) - ROMANIA - BULGARIA: Bucharest and Sofia agreed to provide economic assistance to Aden during recent visits by the Yemeni minister of financial and economic affairs. Bulgaria will provide \$5 million in credit for a number of industrial and agricultural projects. Romania's \$5-million credit will be used for agricultural and irrigation projects. In addition, Romania also confirmed its intention to participate in establishment of a cement industry and construction of an \$8.5-million cement plant, and in conducting a mineral survey. Other, larger credits have also been extended by Communist China and East Germany. [REDACTED]

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ANDEAN GROUP: Officials of the Andean Development Corporation are trying to secure funds abroad to increase the organization's capital resources. They intend to visit Ottawa, Tokyo, and several West European capitals in August, as well as Moscow, Warsaw, and Prague. In operation since June 1970, the corporation's main objective is to promote regional integration among the group's members by various means, including investment in industrial and infrastructure projects. Thus far, its capital resources are limited to \$25 million subscribed by member countries, but officials hope to increase them to \$150 million by 1974. [REDACTED]

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